

Allocating Food Service Costs for Non-RCCI Sponsors

The following information is provided to assist claim preparers of sponsors of school nutrition programs allocate food service costs that must be reported annually on the *June Claim for Reimbursement – School Nutrition Programs* (CNFS 71-5). This information does not pertain to Residential Child Care Institutions (RCCIs). These Institutions must follow methods for allocating costs that are outlined in Appendix A-11.

Claim preparers should report the sponsors' *full cost* of their Food Service Program. The full cost includes direct and support costs either generated by or allocated to food services. Sponsors that provide support to the food service program through the General Fund may allocate their support costs and include them in their reported costs. Claim preparers must document all sponsors' allocations. Examples of possible allocation methods are detailed below. Sponsors may use other methods, if the methods are reasonable and documented.

Work Order Method

The work order method is used to allocate costs to a program on the basis of work orders generated by the support program when providing the service. For example, maintenance and operations repairs a refrigerator and replaces several parts. A work order is prepared that indicates charges for labor and parts. These labor charges are recorded throughout the year and the total reported on the June claim for reimbursement.

Time Method

The time method consists of allocating costs to a program in proportion to the time spent. For example, there is a custodian in each school that spends two hours each day cleaning the cafeteria and setting up tables. Two hours multiplied by the number of schools multiplied by the number of operating days for the year multiplied by the average hourly wage and benefits equals the amount of custodial support allocated to the food services program.

Example equation: (# of hours) x (# of schools) x (# of operating days) x (average hourly wage and benefits) = Labor Cost

Time - Floor Area Method

The time-floor area method is used to allocate costs to a program on the basis of floor area occupied by a program in proportion to the total floor area and the percent of time such floor area is occupied. For example, the sponsor has a liability insurance policy that costs \$9,000 each year. The total floor area of the multipurpose rooms is 3 percent of the entire district and the rooms are used two hours a day (25 percent of an eight hour day) by Food Services. Example equation: $\$9,000 \times .03 \times .25$ = the annual portion of the insurance premium allocated to the food services program.

Quantity - Consumed Method

The quantity-consumed method is used to allocate costs to a program in proportion to the total amount of materials consumed. For example, all office supplies are purchased by the sponsor and distributed to the various programs. The agency determines that 5 percent of the total is used by the food services program. This amount would be reported as a food service cost.

Number of Transactions Method

The number of transactions method is used to allocate costs to a program on the basis of the number of transactions made for that program in proportion to total transactions. For example, out of a total of 1,650 transactions in the year, the purchasing office handles 396 transactions for the food services program. The food services program's transactions would account for 24 percent of the purchasing office's transactions. If the total direct cost for the purchasing office for the year is \$8,100, the purchasing cost would be \$1,944. Example equation: $\$8,100 \times .24 = \$1,944$ (the portion of purchasing costs allocated to the food services program).

Number-of-Employees Method

The number-of-employees method is used to allocate costs to a program on the basis of the number of employees in the program in proportion to the total number of employees in the organization. For example, out of a total of 500 employees, 65 are food service employees, which equals 13 percent of the employees. If the direct cost for the payroll processing office is \$9,600, the portion of payroll would be \$1,248. Example equation: $\$9,600 \times .13 = \$1,248$ (the portion of payroll costs allocated the food services program).

Appendix A-13: Summary Worksheet for Food Service Cost Allocations

Item to be Allocated	Allocation Method	Allocation Factors	Reimbursement Claim		*
			Item 24	Item 25	
Maintenance and Operations	Work Order	Work Orders last year \$19,200	\$19,200		
Custodial Services	Time	2 hours x 10 schools x 60 days x \$10.75/hr	\$12,900		
Data Processing	Time	45 hrs/yr x \$27/hr	\$1,215		
Insurance	Time-Floor	\$9,000 for year x 25% time x 3% floor		\$68	
Utilities	Time-Floor	\$30,000 for year x 100% time x 2% floor		\$600	
Office Supplies	Quantity - Consumed	\$4,800/year x 5%		\$240	
Custodial Supplies	Quantity - Consumed	\$2,100/year x 3%		\$63	
Purchasing Office	Number of Transactions	\$8,100/year x 24%		\$1,944	
Accounts Payable	Number of Transactions	\$7,400/year x 30%		\$2,220	
Payroll Processing	Number of Employees	\$9,600/year x 13%		\$1,248	
Totals			\$33,315	\$6,383	

* Check if not paid by Food Services

Do not submit this worksheet with your claim

Appendix A-14: Summary Worksheet Food Service Cost Allocations

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* Check if not paid by Food Services

Do not submit this worksheet with your claim